



LEGISLATIVE BUDGET BOARD

Higher Education Funding

Overview of Funding for General Academic Institutions & Outcomes-Based Funding Models at Texas State Technical Colleges and Public Community and Junior Colleges

**PRESENTED TO SENATE HIGHER EDUCATION COMMITTEE
LEGISLATIVE BUDGET BOARD STAFF**

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Overview of Presentation

Related to Senate Higher Education Committee Interim Charge #4, Funding Models: Examine different models of student-focused funding for General Academic Institutions, including competency-based and performance funding models, and make recommendations on whether a new funding model would produce greater efficiencies and student performance.

1. Overview of Formula Funding Mechanics and Methods of Finance;
2. Overview of General Academic Institution (GAI) Formulas;
3. Overview of Small Institution Supplement;
4. Overview of Non-Formula Support Item funding for GAIs;
5. Overview of appropriations for GAIs in other bill patterns;
6. Overview of returned value funding model at Texas State Technical Colleges; and
7. Overview of student success funding model at Public Community and Junior Colleges.

General Formula Funding Mechanics

- Formulas are a distribution method for higher education funding. Higher education formulas do not create a statutory or constitutional entitlement.
- Formula Method of Finance.
 - General Academic Institutions, Health Related Institutions, Lamar State Colleges and Texas State Technical Colleges are funded through an All Funds methodology which means that General Revenue and GR-Dedicated–Other Educational and General Income (E&G) are used to fund these formulas.
 - “Other E&G” includes revenue generated by statutory tuition, interest on funds in the state treasury, and various fees. (Board Authorized Tuition is distributed after formula calculation, therefore does not affect the amount of General Revenue.)
- Other E&G Set Asides. Some E&G income is set aside for specific purposes. Specific amounts are unavailable for formula purposes and, consequently, as a formula method of finance. For example, institutions set aside a portion of their tuition to provide Texas Public Education Grants.

General Academic Institutions Instruction and Operations Formula

- The General Academic Institution (GAI) Instruction and Operations (I&O) Formula is based on Semester Credit Hours (SCH) during a three-semester base period. SCH is a measure of how many classes an institution delivers. SCH gained through online courses or competency-based courses are not treated any differently than regular SCH. The base period used for the 2018-19 biennium is Summer and Fall of 2016 and Spring of 2017.
- SCH are weighted by discipline (e.g. nursing is weighted more than liberal arts) and by level (lower and upper division, masters, doctoral, and professional). The weights are based on an expenditure study completed by the Texas Higher Education Coordinating Board of relative costs and are listed on the following slide.
- The Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.

Semester Credit Hours X Program/Level Weight X Rate (\$55.82)

- Hours taught by tenured or tenure-track faculty qualify for the teaching experience supplement. The weight functions as it does in the Instruction and Operations formula.

Semester Credit Hours X Program/Level Weight X Supplement (0.10) X Rate (\$55.82)

General Academic Institutions

Cost Based Matrix

	LOWER DIVISION	UPPER DIVISION	MASTERS	DOCTORAL	SPECIAL PROFESSIONAL
Liberal Arts	1.00	1.73	4.01	10.90	
Science	1.64	2.81	7.04	20.70	
Fine Arts	1.46	2.51	6.07	7.48	
Teacher Ed	1.53	2.07	2.39	6.91	
Agriculture	2.08	2.58	6.54	11.80	
Engineering	2.15	3.22	5.50	17.15	
Home Economics	1.11	1.76	2.79	9.09	
Law					4.77
Social Services	1.57	1.89	2.47	19.33	
Library Science	1.44	1.54	3.35	14.64	
Vocational Training	1.16	2.74			
Physical Training	1.46	1.28			
Health Services	1.02	1.55	2.54	10.19	2.50
Pharmacy	2.46	4.73	28.55	32.17	4.23
Business Admin	1.16	1.83	3.26	24.70	
Optometry			37.52	55.92	7.65
Teacher Ed Practice	1.91	2.18			
Technology	2.08	2.32	3.42	14.79	
Nursing	1.49	2.04	3.00	9.57	
Developmental Ed	1.00				
Veterinary Medicine					23.30

General Academic Institutions Infrastructure Formula

- The GAI Infrastructure Formula, which also includes the Lamar State Colleges and the Texas State Technical Colleges, allocates funding for physical plant support and utilities and is based on predicted square feet for universities' educational and general activities produced by the Space Projection Model developed by the Texas Higher Education Coordinating Board.
- As with the SCH rate, the Legislature sets the rate based on available funding, including consideration of changes in space and other factors.

Predicted Square Feet X Rate (\$5.41)

Small Institution Supplement

- Additionally, institutions with a headcount of less than 10,000 students also receive the Small Institution Supplement. For General Academic Institutions, the supplement totals \$1.5 million for the biennium for each institution with less than a 5,000 student headcount. Institutions with headcounts that range from 5,000 to 10,000 students receive an appropriation that decreases from \$1.5 million with each additional student.
- For the Lamar State Colleges and Texas State Technical Colleges, the methodology is similar, but the threshold for the supplement is 5,000 students and the maximum supplement is \$750,000.

Non-Formula Support Item Funding

- State support for institutions of higher education includes funding for non-formula support items, formerly called special items, which are direct appropriations to institutions for programs or projects that are specifically identified by the Legislature for support.
- Most non-formula support items, including all of the community colleges', are funded from General Revenue Funds, but there are some non-formula support items that receive appropriations from General Revenue-Dedicated or Other Funds.

Other Appropriated Funds

Examples:

- Higher Education Group Insurance (HEGI)
- Available University Fund
- Higher Education Fund
- National Research University Fund
- Support for Military and Veterans Exemptions
- Financial Aid at Texas Higher Education Coordinating Board (THECB)
 - Texas Grants
 - Texas Public Education Grants (TPEG)
 - Tuition Equalization Grants (TEG)
 - Texas Educational Opportunity Grant (TEOG)
 - Other financial aid, scholarships, etc.

Note: GAs do have other funds available outside of the General Appropriations Act, including designated tuition, endowments, federal funds, and other institutional funds.

Texas State Technical Colleges Returned Value Formula

- The Eighty-third Legislature, Regular Session, 2013, modified the calculation of the TSTC Instruction and Administration (I&A) formula to base it on the returned value to the state generated by the TSTC System rather than student contact hours. The I&A formula now compares average student wages upon completion of nine SCH or more at a TSTC institution to minimum wage to determine the additional value an individual generates for the state after attending a TSTC institution. Based on available funding, the Legislature then appropriates a percentage of this returned value amount to the TSTC System for I&A funding.

Returned Value X Percentage Allocated to TSTC (27.6%)

Formula Appropriations for Public Community and Junior Colleges

- Beginning in the 2014-15 biennium, the Legislature implemented a new outcomes-based model for the Instructional and Administrative formula that includes three funding components:
 - Core Operations
 - Success Points
 - Contact Hours

- Unlike other institution types, formula funding is funded entirely with General Revenue and does not include tuition and fee revenue as part of the method of finance.

Core Operations and Success Points Funding

- **Core Operations**

- Each community/junior college district receives \$1.4 million per biennium to help cover basic operating costs, regardless of size or geographic location.
- Core Operations replaced the community college small institution supplement.

- **Success Points (\$171.56 per success point)**

- Funding is based on a three year average of success points earned by students at each community college.
- Students are able to earn success points through eleven individual metrics.

Success Points

Metric	Points
▪ Student successfully completes developmental education in mathematics	1.0
▪ Student successfully completes developmental education in reading	0.5
▪ Student successfully completes developmental education in writing	0.5
▪ Student completes first college-level mathematics course with a grade of "C" or better	1.0
▪ Student completes first college-level course designated as reading intensive with a grade of "C" or better	0.5
▪ Student completes first college-level course designated as writing intensive with a grade of "C" or better	0.5
▪ Student successfully completes first 15 semester credit hours at the institution	1.0
▪ Student successfully completes first 30 semester credit hours at the institution	1.0
▪ Student transfers to a General Academic Institution after successfully completing at least 15 semester credit hours at the institution	2.0
▪ Student receives from the institution an associate's degree, a Bachelor's degree, or a certificate recognized for this purpose by the Coordinating Board in a field other than a critical field, such as Science, Technology, Engineering and Mathematics (STEM), or Allied Health	2.0
▪ Student receives from the institution an associate's degree, a Bachelor's degree, or a certificate recognized for this purpose by the Coordinating Board in a critical field, including the fields of Science, Technology, Engineering or Mathematics (STEM), or Allied Health	2.25

Contact Hour Funding

- A **contact hour** is a time unit of measure that represents an hour of scheduled academic or technical class time, 50 minutes of which must be instructional.
- Contact hour funding is based on each community college's share of total weighted base year contact hours. The base period used for the 2018-19 biennium is Summer and Fall 2016 and Spring of 2017.

Contact Hours X Rate (\$2.70)

- The Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.



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